



*RENEWABLE  
ENERGY  
PROGRAM*

CALIFORNIA  
ENERGY  
COMMISSION

# RENEWABLE ENERGY PROGRAM

QUARTERLY REPORT TO THE  
LEGISLATURE

April 2004 through June 2004

**COMMITTEE REPORT**

JULY 2004  
500-04-050



Arnold Schwarzenegger  
Governor

## CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512



July 30, 2004

Members of the Senate Energy, Utilities and Communications Committee  
Members of the Senate Budget and Fiscal Review Committee  
Members of the Senate Appropriations Committee  
Members of the Assembly Utilities and Commerce Committee  
Members of the Assembly Budget Committee  
Members of the Assembly Appropriations Committee  
California State Capitol Building  
Sacramento, California 95814

RE: California Energy Commission's *Quarterly Report to the Legislature* Concerning  
the Renewable Energy Program

Honorable Members:

The California Energy Commission is pleased to submit its *Quarterly Report to the Legislature* for the second quarter of year 2004, covering the period April 1 through June 30, 2004. As required by the Public Resources Code, Section 25751(g), the Energy Commission must submit quarterly reports to the Legislature on the fiscal and functional aspects of the Renewable Energy Program.

As reflected in this report, the Energy Commission continues to make excellent progress in implementing the Renewable Energy Program and in preparing to implement California's Renewables Portfolio Standard, in collaboration with the California Public Utilities Commission.

Should you have any questions or comments concerning this report, please contact Cecile Martin, Legislative Director, at 654-4942 or by e-mail at [cmartin@energy.state.ca.us].

Respectfully submitted,

JOHN L. GEESMAN  
Commissioner and Presiding Member  
Renewables Committee

JACKALYNE PFANNENSTIEL  
Commissioner and Associate Member  
Renewables Committee

Enclosures

cc: California Legislative Analyst's Office



# CALIFORNIA ENERGY COMMISSION

## RENEWABLES COMMITTEE

**John L. Geesman**

*Commissioner and Presiding Member*

**Jackalyne Pfannenstiel**

*Commissioner and Associate Member*

**Marwan Masri**

*Deputy Director*

*Technology Systems Division*

**James H. Hoffsis**

*Manager*

*Technology Market Development Office*

**Tim Tutt**

*Technical Director*

*Renewable Energy Program*

**Kate Zocchetti**

*Project Manager*

**Robert L. Therkelsen**

*Executive Director*

# **California Energy Commission's Quarterly Report Regarding the Renewable Energy Program**

(April 1 – June 30, 2004)

The California Energy Commission (Energy Commission) is pleased to submit its *Quarterly Report to the Legislature on the Renewable Energy Program*, covering the period April 1 through June 30, 2004. The Energy Commission is required to report to the Legislature quarterly on fiscal and functional aspects of the program.<sup>1</sup>

This report describes the Energy Commission's implementation activities over the second quarter reporting period of year 2004, including information regarding awards submitted to the State Controller for payment,<sup>2</sup> the cumulative commitment of claims by program, the demand for funds by program area, and related matters.

Many of the Renewable Energy Program's funding mechanisms are ongoing open solicitations, and the amount of available funds is subject to change on a daily basis to meet the changing needs of program participants. Consequently, this report provides a snapshot of the status of the Renewable Energy Program and a forecast of future awards based upon market conditions and program trends at the time of this writing.

Following a background on the Renewable Energy Program and summaries of its implementation activities and expenditures from the Renewable Resource Trust Fund (RRTF), the remainder of this report discusses activities occurring in each program area during the second quarter of 2004, and summarizes the accomplishments of the Renewable Energy Program to date.

## **Background on the Renewable Energy Program**

In 1996, the California Legislature created the Renewable Energy Program to foster the development of renewable electricity generation technologies and expand the renewable energy market in the state. To administer the program, the Legislature authorized the collection of Investor-Owned Utility (IOU) ratepayer funds from 1998 through 2001. The IOUs include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E). In 2001, the Legislature extended the Renewable Energy Program from 2002 through 2011.

This section summarizes the Renewable Energy Program from 1998 through 2006. For additional details, refer to the Renewable Energy Program's most recent *Annual Project Activity Report to the Legislature*.<sup>3</sup>

## **Renewable Energy Program – 1998 through 2002**

With the goal of maintaining the environmental, economic, and reliability benefits of renewable energy, Assembly Bill 1890 (AB 1890, Chapter 854, Statutes of 1996, Brulte) created the Renewable Energy Program, which became operational in 1998. AB 1890 directed California's large IOUs (Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company) to collect funds from their ratepayers totaling \$540 million over a four-year period, and to transfer the funds to the Energy Commission for renewable resource development. Senate Bill 90 (SB 90, Chapter 905, Statutes of 1997, Sher) established the RRTF and directed the Energy Commission to administer the funds. In January 1998, the Energy Commission adopted overall funding directives, eligibility requirements, yearly allocations, and specific guidelines to assist program participants in applying for funding.

In September 2000, the Legislature passed Assembly Bill 995 (AB 995, Chapter 1051, Statutes of 2000, Wright) and Senate Bill 1194 (SB 1194, Chapter 1050, Statutes of 2000, Sher). AB 995 and SB 1194 directed the IOUs to continue collecting \$135 million per year (adjusted for inflation) from their ratepayers from 2002 through 2011 for the RRTF. AB 995 and SB 1194 required the Energy Commission to recommend funding allocations and awards to the Legislature. These were provided in the Energy Commission's June 2001 report, *Investing in Renewable Electricity Generation in California (Investment Plan)*.<sup>4</sup> In September 2002, the Legislature incorporated the *Investment Plan* into Senate Bill 1038 (SB 1038, Chapter 515, Statutes of 2002, Sher), authorizing the Energy Commission to administer the program beginning in 2003 through 2006.

In September 2002, the governor also signed Senate Bill 1078 (SB 1078, Chapter 516, Statutes of 2002, Sher), creating California's Renewables Portfolio Standard (RPS). SB 1078 requires retail sellers of electricity to increase their procurement of eligible renewable energy resources by at least one percent per year so that 20 percent of their retail sales are procured from eligible renewable energy resources by 2017.

## **Renewable Energy Program – 2003 through 2006**

As outlined below, the Renewable Energy Program retained its basic structure under SB 1038 when it began operating in 2003.

- The Existing Renewable Facilities Program (ERFP) offers financial incentives to support existing renewable facilities with varying incentives based on the market competitiveness of California's existing renewable technologies.
- The New Renewable Facilities Program awards financial incentives to encourage new renewable electricity generation projects most likely to become competitive with conventional technologies. Once they come on-line, eligible projects receive payments for their first five years of generation. A new aspect of the New Renewable Facilities Program provides funding for up to ten years to renewable generators for the above-market costs of meeting the RPS requirements.

- The Emerging Renewables Program (ERP) grants rebates to lower the costs to customers who purchase and install renewable technologies, primarily solar photovoltaic (PV) and small wind systems, for on-site generation.
- The Consumer Education Program, through grants and contracts, increases public awareness of renewable energy and its benefits, and encourages the support of renewable energy and purchases of renewable energy technologies. Consumer Education funds are also used for tracking and verifying renewable energy purchases under the RPS.
- Customer Credit incentives allowed renewable providers to offer electricity products to their customers at prices competitive with conventional electricity products. In April 2003, the Energy Commission approved discontinuing this program after completing payments to providers.

In the May 2003 *Energy Action Plan*, the state's three energy agencies — the Energy Commission, the Consumer Power and Conservation Financing Authority (CPA), and the California Public Utilities Commission (CPUC) — joined efforts to develop a blueprint for accelerating the RPS goal to attain the target of 20 percent renewables by 2010.<sup>5</sup>

The Energy Commission underscored the accelerated goal in its *Integrated Energy Policy Report* (IEPR).<sup>6</sup> The IEPR recommended that the state enact legislation to accelerate the renewable portfolio standard target to 20 percent by 2010. The Legislature is currently considering such legislation in Senate Bill 1478 (SB 1478, Sher), introduced in February 2004.

In September 2003, the governor signed Senate Bill 704 (SB 704, Chapter 480, Statutes of 2003, Florez), requiring the Energy Commission to allocate \$6.0 million from the RRTF for incentives to electricity-generating facilities that increase their utilization of qualified agricultural biomass for the 2003-2004 fiscal year. During the first quarter of 2004, the Energy Commission adopted guidelines to implement the Agricultural Biomass to Energy Program (AgBio Program).<sup>7</sup> Because the Energy Commission allocated the funds for the AgBio Program from the Existing Renewable Facilities Program, the AgBio program is discussed in that section of this report.

In October 2003, the governor signed Senate Bill 183 (SB 183, Chapter 666, Statutes of 2003, Sher) and Senate Bill 67 (SB 67, Chapter 731, Statutes of 2003, Bowen). Both statutes revised certain eligibility requirements for out-of-state renewable facilities participating in the RPS. These bills took effect in January 2004.

As required by SB 1038, the Energy Commission submitted its *Renewable Resources Development Report* (RRDR) to the Legislature in November 2003.<sup>8</sup> The RRDR describes the renewable resource potential in California and the other states in the Western Electricity Coordinating Council (WECC), and discusses the cost trends of renewable energy technologies and installed capacity of renewable energy. In the

RRDR, the Energy Commission concluded that, with proposed renewable projects and the significant untapped renewable resources in California and the other WECC states, there is an ample supply of renewable energy resources available to meet the RPS and the accelerated RPS targets.

In January 2004, the Energy Commission released drafts of eligibility guidelines in the form of guidebooks for the RPS Program, and updated the New Renewable Facilities Program Guidebook and the Overall Guidebook for the Renewable Energy Program. The Energy Commission released draft guidebooks in March 2004 and adopted them in April 2004. After incorporating additional stakeholder input, the Energy Commission adopted revised Guidebooks in May 2004.

The next section discusses funding and expenditures from the Renewable Resources Trust Fund for this quarter and provides a summary of the cumulative funding to date.

## **Renewable Resources Trust Fund**

During the second quarter of 2004, the Energy Commission disbursed more than \$29.6 million from the RRTF to program participants. By the end of the second quarter, the Energy Commission had disbursed a total of \$459.0 million and encumbered \$229.4 million since the program's inception.

The Energy Commission discontinued the Customer Credit Program in April 2003. In the second quarter of 2004, the Energy Commission approved the Renewables Committee's (Committee) recommendations to reallocate Customer Credit funds collected under SB 1038 to the Emerging Renewables and Consumer Education Programs (90 percent and 10 percent, respectively).

In April 2004, the Energy Commission approved the transfer of \$10 million in interest earnings on funds in the RRTF to supplement the funding for ERP rebates. In accordance with the *Overall Renewable Energy Program Guidebook*,<sup>9</sup> interest earned on the Trust Fund may be used to augment funds for a program area at the Commission's discretion, as recommended by the Committee.

In May 2004, the Energy Commission reallocated \$15 million in unused funds from the ERF to the ERP.

Table I compares the allocation of RRTF monies administered by the Renewable Energy Program from 1998 through 2006, under the combined authorities of SB 90 and SB 1038, with the current reallocations, including \$19 million from other sources.

**Table I - Renewable Resource Trust Fund  
SB 90/SB 1038 Allocations vs. Current Allocations**

<b>Program</b>	<b>SB 90/SB 1038 Allocations Percent of Total (\$1.215 Billion)</b>	<b>Current Allocations Percent of Total (\$1.234 Billion)</b>
<b>Existing Renewable Facilities</b>	31.1	23.4
<b>New Renewable Facilities</b>	42.0	44.1
<b>Emerging Renewables</b>	14.2	25.2*
<b>Consumer Education</b>	0.9	1.5
<b>Customer Credit*</b>	11.8	5.3
<b>Ag-Bio Program</b>	0	0.5
<b>TOTAL</b>	100%	100%

\* Includes \$10 million in accrued interest from the RRTF and \$8.7 million transferred from the state's General Fund per AB 29X.

The participating utilities fulfilled their requirements to collect \$540 million for the program under SB 90. In addition, \$15 million was transferred from the state's General Fund to the ERP for rebates pursuant to Assembly Bill 29X (AB 29X, Chapter 8, Statutes of 2001, Kehoe). Senate Bill 19X (SB 19X, Chapter 3, Statutes of 2003, Chesbro), however, subsequently directed the Energy Commission to transfer the unused funds designated for rebates to customers of Publicly Owned Electric Utility (POEU) service areas to the General Fund to help reduce the state's budget deficit. The transfer of these funds, totaling \$6.3 million, resulted in a net balance of \$8.7 million from the General Fund, and reduced the balance of total funds available for the program under SB 90 from \$555 million to \$548.7 million.

From January 2002 through June 2004, the participating utilities collected \$340.0 million from their ratepayers under SB 1038. The Budget Act of 2002 directed the Energy Commission to loan \$150 million to the General Fund and \$8.9 million to the California Consumer Power and Conservation Financing Authority (CPA). The Budget Act specified that the loan to the General Fund must not adversely affect the Renewable Energy Program, and required the CPA to repay \$1 million by June 30, 2003, with the remainder to be repaid by June 30, 2004. As of the end of this quarter, the CPA has repaid over \$3.25 million of these funds.

Table II provides a financial summary of the RRTF at the conclusion of the second quarter of 2004, reflecting cumulative funds collected, disbursed, reallocated, and encumbered since the beginning of the program in 1998, and funds loaned and transferred from and within the fund, as discussed above. Table II also shows funds collected, disbursed, encumbered, and reallocated during this quarter.



**Table II - Renewable Resource Trust Fund (\$ Millions)<sup>10</sup>**  
**Funding and Expenditures as of June 30, 2004**

	<b>Existing Renewable Facilities</b>	<b>New Renewables</b>	<b>Emerging Renewables</b>	<b>Customer Credit</b>	<b>Consumer Education</b>	<b>Total</b>
<b>Collected Funds (SB 90)</b>	243.000	162.000	69.000 <sup>11</sup>	75.600	5.400	555.000
<b>Collected Funds (SB 1038)</b>	68.000	175.100	59.500	34.000	3.400	340.000 <sup>12</sup>
<b>Total Disbursements</b>	-195.604 <sup>13</sup>	-39.233	-154.064	-65.319	-4.823	-459.043
<b>Intra-fund Reallocations<sup>14</sup></b>	-83.000	33.800	99.800 <sup>15</sup>	-44.000	3.400	10.000
<b>Intra-fund Transfers</b>	0.000	0.000	0.000	0.000	0.000	0.000
<b>General Fund Transfer</b>	0.000	0.000	-6.308 <sup>16</sup>	0.000	0.000	-6.308
<b>Subtotal</b>	32.396	331.667	67.928	0.281	7.377	439.650
<b>Encumbrances</b>	-7.980 <sup>17</sup>	-156.567 <sup>18</sup>	-67.928 <sup>19</sup>	-0.280	3.400 <sup>20</sup>	-229.356
<b>Committed Funds<sup>21</sup></b>	24.417	175.100 <sup>22</sup>	0.000	0.000	10.777 <sup>23</sup>	210.294
<b>Loan Balance</b>						-155.645 <sup>24</sup>
<b>Committed Funds Less Loan Balance</b>						54.648
<b>2<sup>nd</sup> Quarter '04 Disbursements</b>	-2.528 <sup>25</sup>	-3.326	-23.686	-0.117	-0.675	-29.619

The Renewable Energy Program administers the Renewable Resources Trust Fund via ongoing solicitations and functions in response to fluctuations in market prices and other uncertainties. Fund amounts in Table II change daily as the Energy Commission encumbers and commits funds and makes payments to program participants for the following activities:

- The Existing Renewable Facilities Program for payments to eligible existing facilities and for reallocation to the New Renewable Facilities Program.
- The AgBio Program for payments to electricity-generating facilities that increased use of qualified agricultural biomass for the 2003-2004 fiscal year.
- The New Renewable Facilities Program for Supplemental Energy Payments (SEPs), to begin when the RPS is operational, and to on-line projects with funding award agreements.
- The ERP for reservations and rebates for eligible systems.

- The Customer Credit Program for payments for generation in 2002 and early 2003.
- The Consumer Education Program for grant and contract activities, and to track and verify RPS purchases.

The remainder of this report provides details on the Renewable Energy Program's implementation, focusing on the second quarter of 2004.

## **Renewable Energy Program Implementation**

Table III highlights the key activities in each program area during the second quarter of 2004, and lists the activities anticipated during the third quarter. The staff's estimates of activities and funding expected in the upcoming quarter are based on program trends at the time of this writing, and actual project activities and funding may vary from these estimates.

**Table III - Renewable Energy Program  
Second Quarter 2004 Program Implementation**

Implementation Activities and Funding Activities: April – June 2004	Expected Funding and Implementation Activities: July – September 2004
<b>Renewables Portfolio Standard Program</b>	
<ul style="list-style-type: none"> <li>• The Energy Commission adopted Guidebooks for implementing the RPS at its regularly scheduled Business Meeting on April 21, and adopted revisions to them at its May 19th Business Meeting.</li> <li>• The CPUC-Energy Commission collaborative staff held a workshop to discuss implementation of the Least Cost/Best Fit provisions of the RPS.</li> <li>• The CPUC adopted several decisions describing how to implement key elements of RPS implementation.</li> <li>• The CPUC directed the IOUs to update their renewable procurement plans, which the CPUC subsequently approved.</li> <li>• The Energy Commission hired a contractor to conduct a Feasibility Study Report (FSR) for WREGIS.</li> <li>• The WREGIS Operational Rules Committee completed work on Tier 2 issues and released the second draft of the WREGIS Interim Operating Rules: Functional Requirements.</li> <li>• The WREGIS Institutional Committee finalized the recommendation of the institutional home for WREGIS.</li> <li>• The WREGIS Project Management staff and WECC examined how WECC could be established as the institutional home for WREGIS.</li> </ul>	<ul style="list-style-type: none"> <li>• The Energy Commission will consider adopting refinements to the guidelines to implement the RPS.</li> <li>• The Energy Commission will begin certifying facilities as eligible for the RPS.</li> <li>• PG&amp;E and SDG&amp;E will open their first formal RPS solicitation under the CPUC and Energy Commission's recently adopted rules and guidelines.</li> <li>• The Energy Commission will continue working collaboratively with the CPUC to resolve outstanding RPS implementation issues regarding Least-Cost, Best-Fit provisions.</li> <li>• The contractor will finalize the Feasibility Study Report for WREGIS.</li> <li>• The Operational Rules Committee will release the final version of the <i>WREGIS Interim Operating Rules: Functional Requirements</i>.</li> <li>• The Institutional Committee will complete its recommendation for the governance structure of WREGIS and the estimates of WREGIS participation fees.</li> <li>• The Energy Commission and WGA staff will present a proposal to the WECC Board of Directors on how WREGIS would be established within WECC.</li> </ul>
<b>New Renewable Facilities Program</b>	
<ul style="list-style-type: none"> <li>• Payments totaling over \$3.3 million were made this quarter.</li> <li>• To date, payments totaling \$39.2 million have been made to 43 on-line facilities for over 3,600 gigawatt-hours (GWh) of new renewable electricity generation.</li> <li>• Forty-five projects are currently on-line and producing electricity, representing 429 megawatts (MW) of new renewable capacity.</li> <li>• Five landfill gas projects totaling 20.95 MW, and two wind projects totaling 18.6 MW, reached the end of their funding periods.</li> <li>• The Energy Commission adopted the <i>New Facilities Program Guidebook</i> at its April 21, 2004, Business Meeting, and adopted revisions to the <i>Guidebook</i> at its May 19, 2004, Business Meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• The construction of new projects will continue, as will payments to on-line facilities.</li> <li>• The Energy Commission will finalize Funding Award Agreements with winning bidders in the second and third auctions.</li> <li>• Work will continue with the utilities and the CPUC to implement SB 1078 and SB 1038.</li> <li>• Staff will work with the CPUC to confirm availability of SEPs for projects bidding into anticipated Pacific Gas and Electric Company and San Diego Gas and Electric Company Requests for Offers.</li> </ul>
<b>Existing Renewable Facilities Program</b>	
<ul style="list-style-type: none"> <li>• About \$2.3 million in payments were made this quarter for 779 GWhs of generation in February, March, and April 2004.</li> <li>• Payments totaling \$191.1 million have been made to existing facilities for generation from 1998 through April 2004.</li> <li>• 378 facilities are registered as renewable suppliers, with 102 eligible for funding from the ERF.</li> <li>• ERF rollover funds total \$23.1 million.</li> <li>• Enron repaid its settlement agreement in full with its final payment of \$327,000 this quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• An estimated \$6.5 million in payments to eligible existing facilities are expected to be made.</li> </ul>

Implementation Activities and Funding Activities: April – June 2004	Expected Funding and Implementation Activities: July – September 2004
<b>AgBio Program</b>	
<ul style="list-style-type: none"> <li>Approximately \$553,000 in payments were made this quarter for purchases from July through December 2003.</li> <li>Payments from the AgBio Program total \$4.52 million.</li> <li>Approximately \$970,000 was encumbered this quarter, bringing the total of encumbered funds to \$1.48 million.</li> </ul>	<ul style="list-style-type: none"> <li>Payments totaling \$1.48 million are expected to be made to eight participants.</li> </ul>
<b>Consumer Education Program</b>	
<ul style="list-style-type: none"> <li>Payments to grant recipients totaled about \$67,500 this quarter.</li> <li>To date, disbursements for consumer education activities total over \$4.8 million.</li> <li>On May 19, 2004, the Energy Commission adopted revisions to the <i>Consumer Education Guidebook</i>. Activities that focus on tracking and verification of renewable energy generation are now eligible for consumer education funding.</li> <li>Energy Solutions submitted its final report in May. The Energy Commission launched the PV-New Construction toolkit on its website at <a href="http://www.consumerenergycenter.org/pv4newbuildings">www.consumerenergycenter.org/pv4newbuildings</a> in late June.</li> <li>Four members joined the Renewable Energy Alliance.</li> </ul>	<ul style="list-style-type: none"> <li>The American Wind Energy Association is expected to re-submit its final invoice in the 3rd quarter.</li> <li>The staff expects to receive Energy Solutions' final invoice for \$50,000 during the next quarter.</li> <li>The staff will announce the availability of the PV-New Construction toolkit on the Energy Commission's website to subscribers of the Renewable List Server and Renewable Energy Alliance members.</li> </ul>
<b>Emerging Renewables Program</b>	
<ul style="list-style-type: none"> <li>To date, payments for over 9,700 installed systems total over \$154.1 million, representing about 39 MW of distributed capacity.</li> <li>Payments totaling over \$23.7 million were paid this quarter for 1,417 installed systems in IOU service areas, for about 6.0 MW of capacity.</li> <li>Funds encumbered for installing 4,628 systems in IOU service areas total about \$70 million, representing 19 MW of capacity.</li> <li>Approximately \$70 million in funds allocated through 2006 remain available for rebates.</li> <li>Over 3,000 reservation requests were received this quarter for systems in IOU service areas.</li> <li>Approximately \$86 million was reallocated to the ERP from other program areas to ensure continuous funding availability for participants.</li> <li>KEMA-Xenergy continued conducting field verifications of installed systems to confirm that systems conform with their corresponding paperwork submittals.</li> <li>Updated public information continued to be made available on the Energy Commission's website.</li> <li>An on-line feature was added to the website to enable applicants to check on the status of their applications.</li> <li>The Energy Commission adopted Guidebook changes to further improve program efficiency and clarify program requirements on June 30, 2004.</li> </ul>	<ul style="list-style-type: none"> <li>The Energy Commission will continue to process reservations and pay rebates for qualified system installations.</li> <li>Efforts will be initiated with KEMA-Xenergy to develop strategies to address longer-term funding issues posed by strong demand for rebate funds. The Energy Commission will initiate work to consider a requirement for laboratory testing of inverter efficiency. Lists of eligible technology equipment and fund availability will continue to be updated online.</li> <li>KEMA-Xenergy will continue to conduct verification site visits for a sample of installed systems.</li> </ul>

Implementation Activities and Funding Activities: April – June 2004	Expected Funding and Implementation Activities: July – September 2004
Customer Credit Program	
<ul style="list-style-type: none"> <li>The Energy Commission paid \$11,700 to Registered Renewable Providers this quarter. Payments to date total \$65.3 million.</li> <li>The Energy Commission owes funds totaling \$4,000 to some Registered Renewable Providers.</li> </ul>	<ul style="list-style-type: none"> <li>Staff will begin the process of paying \$4,000 owed to some Registered Renewable Providers for Customer Credits paid to large customers.</li> <li>If payments are completed to all eligible providers, the Energy Commission will discontinue Customer Credit Program activities.</li> </ul>

The next sections of this report discuss the noteworthy activities in each program area during the second quarter of 2004, followed by a brief summary of the Renewable Energy Program's progress in meeting its goals and objectives.

## Renewables Portfolio Standard

As directed by SB 1078, California's RPS requires retail sellers of electricity to increase their procurement of eligible renewable energy resources by at least 1 percent per year so that 20 percent of their retail sales is procured from eligible renewable energy resources by 2017. The State's Joint Energy Action Plan and the Energy Commission's 2003 Integrated Energy Policy Report accelerate the RPS goal to achieve the 20 percent renewable target by 2010.

The RPS legislation directs the IOUs to hold competitive solicitations to procure eligible renewable energy under the RPS. In holding these solicitations, the IOUs must follow the rules found in law and guidance as implemented by the Energy Commission and the CPUC. This quarter, the Energy Commission adopted guidelines to implement its roles in the RPS. As the Energy Commission gathers experience with RPS solicitations, it may adjust the guidelines as necessary to incorporate lessons learned and to accommodate changes in the market.

The New Renewable Facilities Program will provide SEPs to renewable electricity generators for the above-market costs of renewable energy. SB 1078 states, however, that if SEPs are insufficient to cover these costs, an electrical corporation could limit its annual procurement obligation to the quantity of eligible renewable energy resources that can be procured with available SEPs. Thus, the state's success in achieving the RPS target may depend on the availability of the funds in the New Renewable Facilities Program.

## Guidelines for RPS Implementation

In the previous quarter, the Renewables Committee drafted guidebooks outlining its recommended guidelines to implement the RPS. This quarter, the Energy Commission accepted the Committee's recommendations and, at its April 21, 2004, Business Meeting, it adopted the following guidebooks:

1. *Renewables Portfolio Standard Eligibility Guidebook* – This guidebook describes the eligibility requirements and process for certifying eligible renewable resources for California’s RPS and SEPs. It also describes how the Energy Commission will track and verify compliance with the RPS using an interim tracking process.
2. *New Renewable Facilities Program Guidebook* – This document describes the conditions that must be met to qualify for and receive SEPs from the New Renewable Facilities Program element of the Energy Commission’s Renewable Energy Program.
3. *Overall Program Guidebook for the Renewable Energy Program* – This document, adopted in February 2003, governs the Renewable Energy Program. It was revised to address administration of the RPS and the New Renewable Facilities Program.

By adopting these *Guidebooks*, the Energy Commission established the system needed to fulfill its obligations to implement the RPS. The Energy Commission recognizes, however, that it may need to revise the *Guidebooks* periodically. For example, revisions may reflect lessons learned, changes in the CPUC’s rules that affect the Energy Commission’s program, or relevant legislative developments.<sup>26</sup>

Various parties commented on the *Guidebooks* at the April 21, 2004, Business Meeting, and the Committee subsequently agreed to consider the comments in detail and to propose any changes it found appropriate. Based on verbal and written comments received, the Committee proposed revisions to the *Guidebooks*, including:

- The eligibility criteria for certain technologies.
- The specifications regarding how to document the delivery of electricity generated from outside the California Independent System Operator control area.<sup>27</sup>
- The process for certifying facilities delivering energy to the IOUs under pre-existing contracts.

At its May 19, 2004, Business Meeting, the Energy Commission adopted the first revisions to the *Renewables Portfolio Standard Eligibility* and the *New Renewable Facilities Program Guidebooks*.

During the next quarter, the Energy Commission expects to begin receiving and processing applications for facilities to become certified as eligible for California’s RPS, and the IOUs will initiate their first formal RPS solicitation. The Energy Commission also expects to make some refinements to the *RPS Eligibility Guidebook* in the third quarter.

## Western Renewable Energy Generation Information System (WREGIS)

In addition to developing guidelines, the Energy Commission, together with the Western Governors' Association (WGA), continues to develop a regional electronic tracking system, called the Western Renewable Energy Generation Information System (WREGIS), for the RPS program. SB 1078 requires the Energy Commission to design and implement the accounting system to verify compliance with the RPS by retail sellers. During the second quarter of 2004, the Energy Commission and the WGA continued to work with stakeholders to establish the functional requirements for WREGIS and determine its institutional home.

A description of the organizational structure for stakeholder input into WREGIS development follows, including the status of each organizational group with current activities this quarter.

**Operational Rules Committee:** The Operational Rules Committee (ORC) consists of stakeholders interested in developing specific technical recommendations regarding WREGIS' operational issues. This committee drafted the Interim Operating Rules for WREGIS. On April 30, 2004, the ORC released the final version of the *WREGIS Operating Rules: Functional Requirements* (also termed, *Interim Operating Rules*, or *IOR*) that addressed Tier 1 issues. Tier 1 issues, including data interface with control areas, the type of data WREGIS would collect, and the fields and characteristics of the WREGIS certificate, deserved the highest priority and had to be completed before work could begin on the Request for Proposal (RFP) to design WREGIS software.

In May and June 2004, the ORC worked on Tier 2 issues, including aggregation of distributed generation, self-generators, and generators that did not report to control areas. On June 15, the ORC released the second draft of the *IOR*, covering all of Tier 1 and Tier 2 issues. Stakeholders were invited to comment on the second draft by June 22. The ORC will release a final version of the *IOR* in July 2004.

The *IOR* seeks to refine the scope of work needed to develop a contractor solicitation to design the WREGIS software. Once a contractor is selected, the ORC will work with the contractor to refine the operating rules and functional requirements. The ORC does not plan to meet until a contractor is selected, unless additional work needs to be done on the *IOR* prior to issuing the RFP.

**Institutional Committee:** The Institutional Committee consists of key individuals in a position to provide guidance on institutional and governance issues for WREGIS. This committee will prepare recommendations on the institutional structure, legal requirements, and governance policies necessary to create an institution to support and maintain the on-going operations of WREGIS. The Institutional Committee released a draft *Institutional Home and Governance Phase I Report of the Institutional Committee for the Formation of the Western Renewable Energy Generation Information System (IC Report)* on April 30, 2004. Stakeholders were invited to submit comments until May 17. Those stakeholders agreed with the Institutional Committee's recommendation that the institutional home for WREGIS should be the WECC. The commenting stakeholders,

however, did not agree on the appropriate degree of participation of private-interest stakeholders in the governance structure of WREGIS. The Institutional Committee will release a revised version of the Phase I *IC Report* in July.

In May, the Energy Commission hired a contractor, Knowledge Structures, Inc. (KSI), to conduct a feasibility study analysis of WREGIS and to prepare a Feasibility Study Report (FSR), to be finalized in September 2004. The FSR is the first step in the procurement process for acquiring the software system for WREGIS. KSI has completed work on the Business Case and the Baseline Analysis sections of the FSR. The Energy Commission will submit the final FSR to the Department of Finance for review.

During the second quarter, the Energy Commission and the WGA staff began to work with the WECC to establish it as the institutional home of WREGIS, per the Institutional Committee's recommendation and with the support of stakeholders. On July 29, 2004, the Energy Commission and WGA will present a proposal to the WECC on how it could house WREGIS. The WECC Board of Directors will then vote on whether the WECC should become the institutional home for WREGIS.

The next section briefly describes the implementation activities led by the CPUC, in collaboration with the Energy Commission, to develop the RPS rules.

### **Energy Commission and California Public Utilities Commission Collaboration**

In a collaborative effort that began in October 2002, the Energy Commission and the CPUC continue to work together to implement the RPS through each agency's respective proceedings. The CPUC and Energy Commission are working jointly in the following CPUC proceedings addressing RPS issues:

- *Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development* -- Addressing IOU electricity procurement in general, this forum addressed CPUC RPS implementation between Dec. 2002 and Feb 2004.<sup>28</sup>
- *Order Instituting Rulemaking to Implement the California Renewables Portfolio Standard* -- In February 2004, the CPUC opened this as a new proceeding specifically to address RPS issues. Outstanding CPUC RPS issues, with the exception of transmission, are being addressed through this proceeding.<sup>29</sup>
- RPS transmission issues are addressed at the CPUC through the *Order Instituting Investigation into Implementation of Assembly Bill 970 Regarding the Identification of Electric Transmission and Distribution Constraints, Actions to Resolve Those Constraints, and Related Matters Affecting the Reliability of Electric Supply*, which opened in November 2000.<sup>30</sup>

In anticipation of the IOUs holding RPS solicitations in the summer of 2004, the CPUC needed to address a number of details regarding RPS implementation. On May 24-



25, 2004, the CPUC-Energy Commission collaborative staff held a workshop at the CPUC to discuss implementation of the Least Cost/Best Fit provisions of the RPS. Least Cost/Best Fit provisions refer to the rules describing how the IOUs will evaluate bids from renewable developers.

The CPUC issued a Decision in June 2003<sup>31</sup> that outlined key elements of RPS implementation<sup>32</sup> and identified further analysis needed to implement the RPS. Building on this effort, the CPUC adopted several decisions in June 2004, describing how to implement these key elements, including:

- The methodology for calculating the Market Price Referent
- Establishment of the Standard Contract Terms and Conditions between IOUs and RPS eligible renewable generators
- Updated determinations of the IOUs' baselines and annual procurement targets
- The methodology for developing adder values to account for transmission costs

The CPUC also directed and subsequently approved the updated renewable procurement plans by the IOUs. The plans included drafts of the utilities' proposed Request for Offers to solicit bids from renewable developers. SDG&E and PG&E are expected to open their solicitations during the next quarter. Because SCE had procured adequate renewable resources through its interim procurement to meet its 2004 annual procurement target, the CPUC excused SCE from holding a solicitation in 2004.

The Energy Commission will continue working collaboratively with the CPUC to resolve outstanding RPS implementation issues regarding Least-Cost Best-Fit provisions, and will provide any assistance needed as the IOUs initiate their first formal RPS solicitation, the first of which is expected in July 2004.

## **New Renewable Facilities Program**

The Energy Commission adopted the final *Guidebook for the New Renewable Facilities Program* at its April 21, 2004, Business Meeting, and adopted a revised *Guidebook* at its May 19, 2004 Business Meeting. The *Guidebook* reflects changes to the program under the direction of SB 1038 and SB 1078, and specifies the eligibility requirements for projects to qualify for SEPs under the RPS. The New Renewable Facilities Program will fund SEPs, intended to cover the above-market costs to renewable generators of meeting RPS requirements.

Winners from the three New Renewable Facilities Program auctions held in 1998, 2000, and 2001 continue to be developed and come on-line in accordance with the guidelines from the initial program under SB 90.

Of the 81 successful bidders in those auctions, 45 projects are on-line and contributing 429 MW of new renewable generating capacity to California's electricity supply. Among

the on-line projects, 37 are currently receiving incentive payments. The remaining eight on-line projects include five landfill gas projects totaling 21 MW and two wind projects totaling 18.6 MW that reached the end of their 5-year funding periods during this quarter. The eighth on-line project had previously received its full funding award.

The remaining 36 successful bidders include ten projects that have ceased development and cancelled their funding awards, and 26 projects that are not yet on-line, comprised of 15 projects that hold signed funding awards and 11 projects with conditional funding awards.

The development of several wind projects has been delayed due to uncertainties surrounding the extension of the federal production tax credit (PTC). The 1.5-cents-per-kilowatt-hour (adjusted for inflation) tax credit expired on December 31, 2003, without being extended by Congress. The loss of the PTC has severely curtailed wind development nationwide, a trend not expected to improve until the PTC is restored.

On June 30, 2004, the Energy Commission extended the on-line date for two wind projects to December 31, 2004. If these projects, which total 49.8 MW, are not on-line by that date or a reasonable date thereafter, the Energy Commission will re-evaluate their status to determine if award reductions or cancellations are justified. The Energy Commission also extended the on-line date for a 10-MW landfill gas project to December 31, 2005, based on delays arising from the project's inability to secure a power purchase contract. The project developer is currently in final negotiations for such a contract.

Currently, 43 of the 45 on-line projects have received payments from the Energy Commission. To date, these projects have received a total of \$39.2 million in payments from the New Renewable Facilities Program, including more than \$3.3 million paid this quarter. Table IV summarizes the on-line projects, which have generated approximately 3,600 gigawatt-hours (GWh) of new renewable electricity.

**Table IV - New Renewable Facilities Program  
Summary of On-Line Projects (June 1999 to June 2004)**

<b>Technology</b>	<b>MW On-Line</b>	<b># of Projects</b>
Biomass	11.30	2
Digester Gas	2.05	1
Geothermal	59.00	2
Landfill Gas	37.19	14
Small Hydro	31.25	3
Waste Tire	0	0
Wind	288.32	23
<b>Total</b>	<b>429.11</b>	<b>45</b>

Two facilities shown in Table IV, totaling 6.67 MW of capacity, are delivering power to the grid, although they have not yet received incentive payments. These facilities include a 4.62-MW wind facility and a 2.05-MW digester gas facility. The Energy Commission has not made payments to the wind facility because it has not yet submitted an invoice; the other facility has not demonstrated to the Energy Commission's satisfaction that it is eligible to receive payments under the program guidelines.

The Energy Commission may cancel funding awards totaling \$17.8 million for four wind projects totaling 113 MW from the first auction: three owned by Enron Wind Development Corporation and one owned by Painted Hills Wind Developers (an Enron affiliate). The project developers face award cancellations for failing to submit required information and for not maintaining appropriate contact with the Energy Commission. After March 2002, when the Energy Commission informed the project developers of its intent to cancel their funding awards, the project developers submitted a joint Petition for Reconsideration to the Energy Commission. However, any decision to cancel these awards is complicated by Enron's bankruptcy status. The Energy Commission's legal counsel is consulting with bankruptcy law experts in this matter, and the Committee hopes to make a decision on the petition during 2004.

## **Existing Renewable Facilities Program**

Among the 378 facilities registered with the Energy Commission as existing renewable suppliers, 102 are eligible for funding from the Existing Renewable Facilities Program (ERFP). During the second quarter of 2004, the Energy Commission paid over \$2.3 million to these facilities, with the entirety going to biomass and solar thermal facilities for 779 GWh of generation from February through April 2004. To date, payments total \$191.1 million to all participating existing facilities.

From 1998 through 2000, the Energy Commission made payments totaling \$521,789 to Enron Wind LLC. During the second quarter of 2003, the bankruptcy court approved a settlement agreement between the Energy Commission and Enron Wind LLC for repayment of \$633,788 (including interest) due to Enron's misrepresentation of the ownership status of some of its facilities. Enron Wind LLC was scheduled to repay these funds over a two-year period, with the first repayment made during the third quarter of 2003. If Enron sold its interest in the facilities involved in the settlement, however, Enron was required to repay the remaining settlement funds due at the closing of the sale. Enron completed such a sale during the second quarter of 2004, at which time it repaid the Energy Commission \$439,437, the remaining balance due.

The ERFP rollover amount currently stands at \$23.1 million.<sup>33</sup> The Energy Commission previously determined that it would reallocate the funds remaining from the initial Existing Account under SB 90 to the New Renewable Facilities Program to cover the costs of its second and third auctions. The amount of funds that will eventually be

needed for New Renewable Facilities Program projects is currently unknown. The staff continues to evaluate this amount (auction winners could drop out or have their funding awards reduced or cancelled), and once known, the staff will recommend reallocating those funds accordingly.<sup>34</sup>

In May 2004, the Energy Commission reallocated \$15 million from the ERFP to the ERP to supplement the rebate funds being rapidly depleted by high consumer demand.

### **Agricultural Biomass to Energy Program**

Although a separate program, the AgBio Program is discussed in this section for purposes of this report. Nine participants have registered their facilities with the Energy Commission and have been approved for funding from the AgBio Program.

During the second quarter of 2004, the Energy Commission approved one facility after completing its eligibility determination. In May 2004, the Energy Commission paid \$553,000 to this facility, bringing the total AgBio Program payments to \$4.52 million to eight participants.

During the first quarter of 2004, the Energy Commission reserved \$506,940 in funding for one facility that did not exceed its historical QAB purchases by at least 10 percent from July through December 2003, as required by SB 704.

During the second quarter of 2004, the Energy Commission issued \$970,000 in reservations to eight facilities for Qualified Agricultural Biomass purchases from January through June 2004. One facility elected not to participate in the second half of the program because it would not meet the requirements necessary to receive funding for that period.

All eight participants with reservations have met the funding requirements. The staff expects to make payments totaling \$1.48 million during the third quarter of 2004. Once these funds are disbursed, the Energy Commission will have expended the full \$6.0 million allocated to the AgBio Program.

### **Consumer Education Program**

The Energy Commission has funded two public awareness campaign contracts and 20 grant projects. During the second quarter of 2004, payments for grants totaled \$67,500, bringing Consumer Education Program funds dispersed to contractors and grant recipients to nearly \$4.8 million to date.

On May 19, 2004, the Energy Commission adopted revisions to the *Consumer Education Program Guidebook*. The Guidebook was revised to provide funding eligibility to projects and activities that track and verify renewable energy generation in compliance with California's Renewables Portfolio Standard.

In May 2004, the Energy Commission also approved the Committee's recommendation that 10 percent of the funds collected for the Customer Credit Program (\$1.4 million annually) be reallocated to the Consumer Education Program for tracking and verification activities in support of the RPS Program. A detailed discussion of the tracking and verification system is provided in the Renewables Portfolio Standard section of this report.

The two contracts funded by the Consumer Education Program focused on raising consumer awareness of renewable energy and customer adoption of renewable energy technologies. One outcome of the most recent public awareness campaign is the Renewable Energy Alliance (REAlliance), which the Energy Commission continues to manage. The REAlliance was formed to coordinate resources and opportunities available through partnerships with organizations connected to renewable energy in California. The Energy Commission informs REAlliance members about opportunities to sponsor, support, and promote renewable energy via outreach, events, programs or projects as they arise. To facilitate participation in REAlliance activities, the Energy Commission provides each REAlliance member organization: 1) a bimonthly e-newsletter, 2) the opportunity to share information with other REAlliance members through the e-newsletter, and 3) a Renewable Energy Alliance Resource Kit with updates.

The REAlliance newsletter serves as a good forum for exchange of ideas, information and industry contacts; as a result, the REAlliance membership continues to grow. Since January 2004, 41 members were added, with four members joining during the second quarter. Currently, 203 members representing 180 organizations comprise the REAlliance.

All public awareness contracts and consumer education grant projects funded by the Consumer Education Program have been completed. In May 2004, Energy Solutions formally completed its RE-New Construction grant project for the new construction industry. The project provides information and technical assistance to developers, architects, engineers, and "Green Building" design professionals in the project planning or design stage. Energy Solutions developed a "toolkit" for PV in new construction, providing an online resource that tailors information for each design stage of a typical project. Energy Solutions submitted its final report this quarter, including the Measurement and Verification Plan, a straightforward and modest approach to assessing program effectiveness. In June, the Energy Commission launched the PV-New Construction toolkit on its website at

**<[www.consumerenergycenter.org/pv4newbuildings](http://www.consumerenergycenter.org/pv4newbuildings)>**

During the upcoming quarter, the staff will announce the availability of the toolkit on the Energy Commission's website to subscribers of the Renewable List Server and Renewable Energy Alliance members. The staff expects Energy Solutions to submit its deliverables and final invoice for about \$50,000.

During this quarter, the Energy Commission asked the American Wind Energy Association to re-submit its final invoice, which was deemed incomplete, for its grant project to produce a wind-turbine siting guide. The staff expects to receive the complete invoice and supporting documentation during the upcoming quarter.

## **Emerging Renewables Program**

During the second quarter of 2004, the Energy Commission made payments totaling \$23.7 million for 1,417 system installations, bringing total disbursements to about \$154.1 million to date. More than 9,700 emerging renewable systems have been installed since the beginning of the program, representing approximately 39 MW of distributed renewable electricity capacity, with about 95 percent being solar PV.

Customers planning to install 4,628 systems hold confirmed rebate reservations for about 19 MW of solar and wind capacity in various stages of completion, encumbering approximately \$70 million in rebates (RRTF monies are collected from the utilities on a quarterly basis; rebate reservation funds are encumbered as soon as they become available).

Without reallocating funds from other areas of the Renewable Energy Program, funding for the ERP would have been depleted during this quarter. To supplement available rebate funds, the Energy Commission reallocated approximately \$86 million from other sources in May and June 2004. These reallocations included \$61 million from the Customer Credit Program (to be collected through 2006), \$10 million from interest earned on the RRTF, and \$15 million from the Existing Renewable Facilities Program. While the Energy Commission expects this additional ERP funding to last through the 2004 calendar year, it will continue its efforts to address the longer-term funding issue.

Recent demand for rebates has increased dramatically as applicants again rushed to meet the deadline before a higher rebate expires, as scheduled every six months. The rebate amount will drop by 20 cents per watt just as the third quarter begins. For an average-sized system, customers would receive about \$800 less if they delayed in sending a complete application until after June 30, 2004. Although applications mailed by June 30, 2004 are still being received, the Energy Commission estimates that 3,300 applications will be submitted for the second quarter, another record-high activity level. Table V shows the rebate levels offered under SB 1038 through December 2004.

Along with rebates, the state tax credit continues to be a motivator for consumers considering a solar or wind system. Designed to encourage the installation of systems up to 200 kW, Senate Bill 17XX (SB 17XX, Chapter 12, Statutes of 2001, Brulte) authorized a 15 percent credit for tax years 2001 through 2003, with a 7.5 percent credit for tax years 2004 and 2005. A worksheet for consumers to apply for the tax credit using a "self-certifying" process is available on the Energy Commission's website at

**<[www.consumerenergycenter.org/renewable/tax\\_credit.html](http://www.consumerenergycenter.org/renewable/tax_credit.html)>**

**Table V - Summary of Rebate Levels\***  
**March 2003 through September 2004**

Eligible System	Size	3/3/03 – 6/30/03	7/1/03 – 12/31/03	1/1/04 – 6/30/04	7/1/04 – 12/31/04
<b>Photovoltaic</b>	Less than 30 kW	\$4.00	\$3.80	\$3.20	\$3.00
<b>Solar Thermal Electric</b>	Less than 30 kW	\$4.00	\$3.80	\$3.60	\$3.40
<b>Fuel Cells Using Renewable Fuels</b>	Less than 30 kW	\$4.00	\$3.80	\$3.60	\$3.40
<b>Wind</b>	First 7.5 kW	\$2.50	\$2.30	\$2.10	\$1.90
	7.5-30 kW	\$1.50	\$1.30	\$1.10	\$0.90
<b>Affordable Housing**</b>	Less than 30 kW	\$5.00	\$4.75	\$4.00	\$3.75

\*Owner-installed systems receive a lower rebate (15 percent).

\*\*Available for eligible PV systems only, not to exceed 75 percent of the system cost.

System installation rates continued at historically high levels during the second quarter. Approximately 1,400 systems were installed through the ERP this quarter, a 20 percent increase from the previous quarter, and 150 percent higher than one year ago. These systems represent six MW of capacity, which is 23 percent higher than last quarter. Twelve of these installations were wind systems, with the balance being PV systems.

The ERP has approved 337 systems for affordable housing rebates, which are 25 percent higher than their counterparts. Four of these systems, with a combined capacity of 40 kW, have received rebates totaling over \$200,000. The remaining 333 approved systems, including three apartment complexes and a housing development of 22 homes, have reserved \$3.7 million, representing a total capacity of 768 kW.

The Energy Commission and the CPA established the Solar Schools Program to encourage the installation of PV systems at more school sites by providing a higher level of rebate funds for public and charter schools. In May 2004, the Energy Commission adopted specific funding and eligibility requirements for the Solar Schools Program, having previously lost its funding in 2002. The ERP allocated up to \$2.24 million for the 2004 program, which is matched by the California Attorney General's Alternative Energy Retrofit Account funds at school sites totaling less than 30 kilowatts in size (per school district).

The new Solar Schools Program officially launched on May 19, 2004, and ended on June 30, 2004, resulting in funding requests far exceeding the amount available. From over 60 schools that applied, 30 were approved for funding. Of the 15 schools granted preliminary reservations in the 2002 program, 11 re-applied with preferential status under the new program. All of the available funding was awarded, totaling 700 kW of PV capacity for California schools.

The Energy Commission adopted a revised guidebook for the ERP at its June 30, 2004, Business Meeting. Many of the revisions are intended to improve the operating efficiency of the ERP, while others reflect the experience gained over the past year. In summary, the revisions include:

- Adding Bear Valley Electric customers as eligible for the program
- Shortening the reservation time period from nine to six months
- Revising the rebate calculation for system additions
- Adding clarifying language to sections dealing with contractor- and owner-installed systems, purchase and installation agreements, and affordable housing requirements
- Changing the criteria for requesting time extensions
- Eliminating the requirement for itemized costs of components and labor
- Granting 18-month reservations for all new-construction installations
- Accepting only mailed-in reservation requests

With assistance from the Renewable Energy Program's technical support contractor, KEMA-Xenergy, Inc., the Energy Commission staff continues to update the list of eligible renewable technology equipment and make it available to consumers online and via regular mail. In the second quarter of 2004, the KEMA-Xenergy team began conducting site visits to verify that systems installed through the ERP comply with the program requirements. The KEMA-Xenergy team also completed the support work necessary to revise and enhance the ERP website, making the application process easier and enabling participants to check the status of their reservations on-line, while maintaining web server security.

The Energy Commission will continue to update funding availability on the program's website at:

**[www.energy.ca.gov/renewables/emerging\\_renewables/funding.html](http://www.energy.ca.gov/renewables/emerging_renewables/funding.html)**

## **Customer Credit Program**

In April 2003, the Energy Commission discontinued the Customer Credit Program and determined that providers would be paid for eligible 2002 and early 2003 activity, as outlined in the *Customer Credit Renewable Resources Account Report*.<sup>35</sup> As recommended in the report, the Energy Commission reallocated the Customer Credit Funds collected under SB 1038 to other program areas. In April 2004, the Energy Commission reallocated a portion of the funds to the Emerging Renewables and Consumer Education Programs (45 percent and 10 percent respectively). The Renewables Committee later recommended that the remaining 45 percent be allocated to the ERP, which the Energy Commission approved in May 2004.



During this quarter, staff received revised audits from registered renewable providers and made payments totaling \$11,700 for eligible 2002 and early 2003 activity. To date, the Energy Commission has paid a total of \$65.3 million for customer credits.

The Energy Commission's guidelines capped Customer Credit funds for large customers at \$15 million. The cap was reached in April 2001, at which time total claims for large customers exceeded \$15 million. The staff has learned that during 2001, the Energy Commission overpaid one registered renewable provider by approximately \$4,000 for customer credits passed onto its large customers. That provider has since reimbursed the Energy Commission for the overpayment. Because claims exceeded available funds in 2001, the Energy Commission will distribute the \$4,000 to those eligible retailer providers in proportion to the generation claims they submitted for their large customers in April 2001.

In the third quarter of 2004, the Energy Commission will begin disbursing these payments to eligible providers. Once payments to eligible providers are complete, the Customer Credit Program will be discontinued.

## **Summary**

Through its administration of the Renewable Energy Program, the Energy Commission continues to achieve its goals for the renewables industry and Californians. Since the Renewable Energy Program began, the following has been accomplished:

- Brought more than 429 MW of new renewables capacity on-line, with the potential for new projects to eventually total 1,200 MW of new renewable capacity for California's electric grid. The Energy Commission expects additional new capacity to come on-line over the next several years as the RPS program matures.
- Helped 275 existing facilities remain operative for 4,400 MW of renewables capacity.
- Supported over 200,000 customer purchases of electricity generated by renewable energy before the suspension of direct access contracting options for electricity consumers.
- Provided rebates to more than 9,700 customers for installing on-site renewable technology systems, representing over 39 MW of solar and wind capacity, with the potential for an additional 19 MW from 4,628 systems in various stages of development.
- Assisted Californians in making educated energy decisions by providing information to consumers and Renewable Energy Alliance members statewide about renewable energy and the state's incentive programs, and about how to support renewables in today's marketplace.

In addition, the Energy Commission continues its collaboration with the utilities and the CPUC in developing the rules for implementing the RPS and a system to track the utilities' progress and verify their compliance. With the RPS poised to launch later this year, this work will position California for maintaining and expanding its leadership in developing renewable energy.

## Endnotes

<sup>1</sup> Public Utilities Code (PUC), Article 5, Section 445(g).

<sup>2</sup> As a procedural matter, the Energy Commission submits awards directly to the State Controller for payment, rather than through the Treasurer.

<sup>3</sup> The *Annual Project Activity Reports to the Legislature* are on the Energy Commission's website at [www.energy.ca.gov/renewables/documents/legislature.html](http://www.energy.ca.gov/renewables/documents/legislature.html).

<sup>4</sup> Publication Number 500-00-022, June 2001.

<sup>5</sup> *Energy Action Plan* available on-line at [[www.energy.ca.gov/2003\\_energy\\_action\\_plan/index.html](http://www.energy.ca.gov/2003_energy_action_plan/index.html)]

<sup>6</sup> Energy Commission publication number 100-03-019F, November 2003.

<sup>7</sup> Energy Commission Publication number 500-03-102F, February 2004.

<sup>8</sup> Energy Commission Publication number 500-03-080F, November 2003.

<sup>9</sup> Energy Commission Publication number 500-03-004F, February 2003.

<sup>10</sup> This table contains data from the Energy Commission's Accounting Office. Accounting data might differ from data reported in the text because funds may be returned, credited, or re-paid that are not tracked in real time by program staff.

<sup>11</sup> This amount includes \$15 million transferred from the General Fund pursuant to AB 29X.

<sup>12</sup> This total does not include \$266,000 collected from ratepayers of the Bear Valley Electric Company or \$16.927 in voluntary contributions.

<sup>13</sup> Of this amount, \$4.52 million are payments to AgBio Program facilities.

<sup>14</sup> The Energy Commission has reallocated \$40 million from the Existing Renewable Facilities Program to the New Renewable Facilities Program for the second auction. However, \$6.2 million of these funds were redirected to the Emerging Renewables Program, thereby reducing the reallocation from the Existing Renewable Facilities Program to the New Renewable Facilities Program to \$33.8 million. Pursuant to AB 29X, the Energy Commission reallocated \$15 million from the Existing Renewable Facilities Program to the Emerging Renewables Program in 2001. The Energy Commission reallocated \$10 million in unused funds from the Customer Credit Account to the Emerging Renewables Program in September 2001 and \$13 million from the Existing Renewable Facilities Program to the Emerging Renewables Program in September 2002. Senate Bill 704 (SB 704, Florez, Chapter 480, Statutes of 2003) directed the Energy Commission to allocate \$6.0 million from the Renewable Resources Trust Fund for the Agricultural to Biomass Program; although these funds were reallocated from the Existing Renewable Facilities Program in February 2004, they remain combined with those funds in this table. In April and May 2004, the Energy Commission reallocated the Customer Credit Funds collected under SB 1038 to the Emerging Renewables and Consumer Education Programs (90 percent and 10 percent, respectively).

<sup>15</sup> Intrafund reallocations include \$10 million reallocated from the interest accrued on the RRTF to the Emerging Renewables Program.

<sup>16</sup> Unused POEU funds were returned to the General Fund pursuant to SB 19X.

<sup>17</sup> Encumbered for potential reallocation to the New Renewable Facilities Program as winning projects from the third auction come on-line and become eligible for funding, and for AgBio Program participants.

<sup>18</sup> The Energy Commission conditionally awarded \$162 million at its June 1998 auction, \$40 million at its December 2000 auction, and up to \$40 million at its August 2001 auction.

<sup>19</sup> Encumbered for approved rebate reservation requests. RRTF monies are collected quarterly; reserved funds are encumbered as they become available.

<sup>20</sup> Encumbered for consumer education grant projects and WREGIS.

<sup>21</sup> Committed funds are not yet formally assigned to specific projects, but represent monies reserved to meet statutory requirements.

<sup>22</sup> Funds are committed for making Supplemental Energy Payments under the RPS program.

<sup>23</sup> Of this amount, a minimum of \$3.057 million is committed to date for developing and implementing the RPS tracking and verification system.

<sup>24</sup> \$150 million was loaned to the state's General Fund and \$8.9 million was loaned to the California Consumer Power and Conservation Financing Authority pursuant to the Budget Act of 2002 (Items 3360-011-0382 and 3360-012-0382 respectively). To date, the CPA has made \$3.25 million in repayments.

<sup>25</sup> Represents payments to ERFP facilities for February through April 2004 generation, and to AgBio facilities for purchases from December 2003 through June 2004.

<sup>26</sup> Public Resources Code section 25747 authorizes the Energy Commission to approve substantive changes to the Renewable Energy Program's *Guidebooks* upon providing 10 days public notice; changes take effect once approved at a publicly-noticed Business Meeting.

---

<sup>27</sup> A control area is an electric system bounded by interconnection metering that is capable of controlling generation to maintain its interchange schedule with other control areas, and which contributes to frequency regulation of the Interconnection.

<sup>28</sup> CPUC Order R.01-10-24.

<sup>29</sup> CPUC Order R.04-04-026.

<sup>30</sup> CPUC Order I.00-11-001.

<sup>31</sup> CPUC Order D.03-06-071.

<sup>32</sup> The key elements were part of the CPUC R.01-10-024 proceeding.

<sup>33</sup> The rollover consists of the funds remaining in the ERF after payments have been made to facilities in a given monthly payment cycle. Any funds not paid in one month are rolled over and added to the following month's allocation, becoming available for that month's payments.

<sup>34</sup> After determining the amount of funds needed for reallocation to the New Renewable Facilities Program, any remaining funds shall be available for the ERF under SB 1038.

<sup>35</sup> Energy Commission publication number 500-03-004F, April 2003.